

## Weekly Assessment of the Market's 'Appetite for Risk': 'Buy the Rumour, Sell the Fact'

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The market's appetite for risk remained strong last week as the S&P500 & NDX100 both pushed higher out of recent consolidation ranges (i.e. in August – see FIG 1). That strength was driven by tech (& the utilities sector). Oracle was a feature, popping 36% on Wednesday. Both Tesla and Nvidia were also strong on the week (+12.6% & 6.5%, respectively). Other MAG7 stocks were more mixed (e.g. Apple -2.3% on the week; Amazon -1.8%; & MSFT +3.0%). Bitcoin, a measure of marginal liquidity, was also strong (+4.7% on the week), although it remains below its mid-August highs (& rangebound since early July).

With that strength in risk appetite, various **short-term models have moved back onto SELL (FIGs 2 to 2f)**: The short-term risk appetite and technical scoring systems are both now on SELL; the combined RAG1 plus RAG2 model is close to SELL; both the NDX100 & SOX technical scoring systems are also on SELL; while the short term put to call ratio is close to SELL (although not yet at that level). Some short-term models remain NEUTRAL including the percentage of single stocks above their 10 day moving averages, as well the industry group RSI model (FIGs 2e & 2f).

**From a medium-term perspective**, the market remains vulnerable. The SELL-off indicator (FIG 1a), having reached its key +20 level earlier this month (4<sup>th</sup>/5<sup>th</sup> September), is now on +26 (NB at +20 and above it warns of a heightened likelihood of a wave of risk aversion). **Equities are (again) close to overbought versus bonds** (a SELL signal for equity markets, FIG 1b), whilst bonds on a stand-alone basis are also overbought (highlighting the risk of a near term back-up in yields which, in turn, would pressure equity markets - FIG 1c). The Colvin model is at a high level (signalling that a broad range of global assets are overbought relative to trend, FIG 1d). Other signs of froth are evident in the resurgence of single stock call option buying (FIG 1e). Added to which, the NDX100 put to call indicator is back on SELL (signalling a lack of downside put protection in this market, FIG 1f), while NDX sentiment is also on SELL (at high bullish levels).

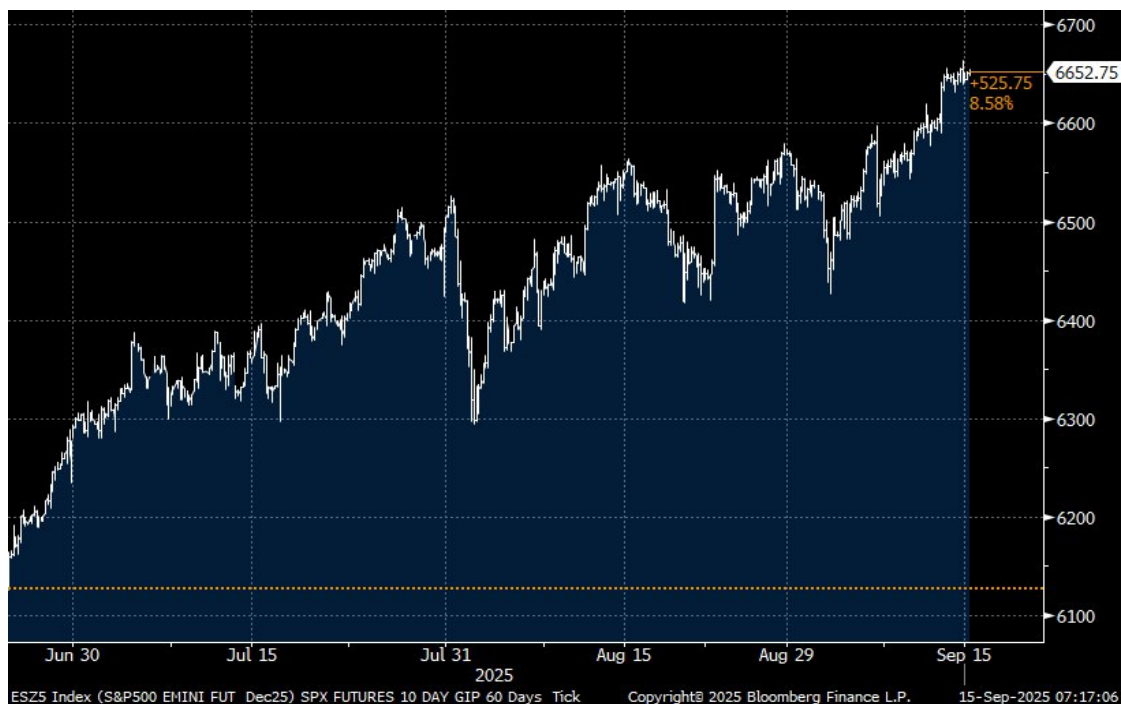
Later this week, the Fed meets and pronounces on monetary policy. The market expects a 25bps cut with a small probability (5.8%) of a 50bps cut. Over September, the weakness in various pieces of labour market data has driven the market to price more rate cuts into the curve. That has, in part, underpinned the recent strength in equity markets. It also highlights the growing US recession risk (although that is not our base case – see last week's Longview on Friday for further analysis). Markets are discounting machines and, in that respect, often rally into key (positive) newsflow. Given the positioning of our short and medium-term models, therefore, this Fed meeting could be the catalyst for a near term top in risk assets (i.e. 'Buy the Rumour, Sell the Fact'). Given all of the above, along with various other liquidity, macro, and model concerns, our tactical (1 – 4 month) view remains cautious (for latest update see 4<sup>th</sup> September 2024 publication).

Please see below for a full list of **key events and macro data due this week**.

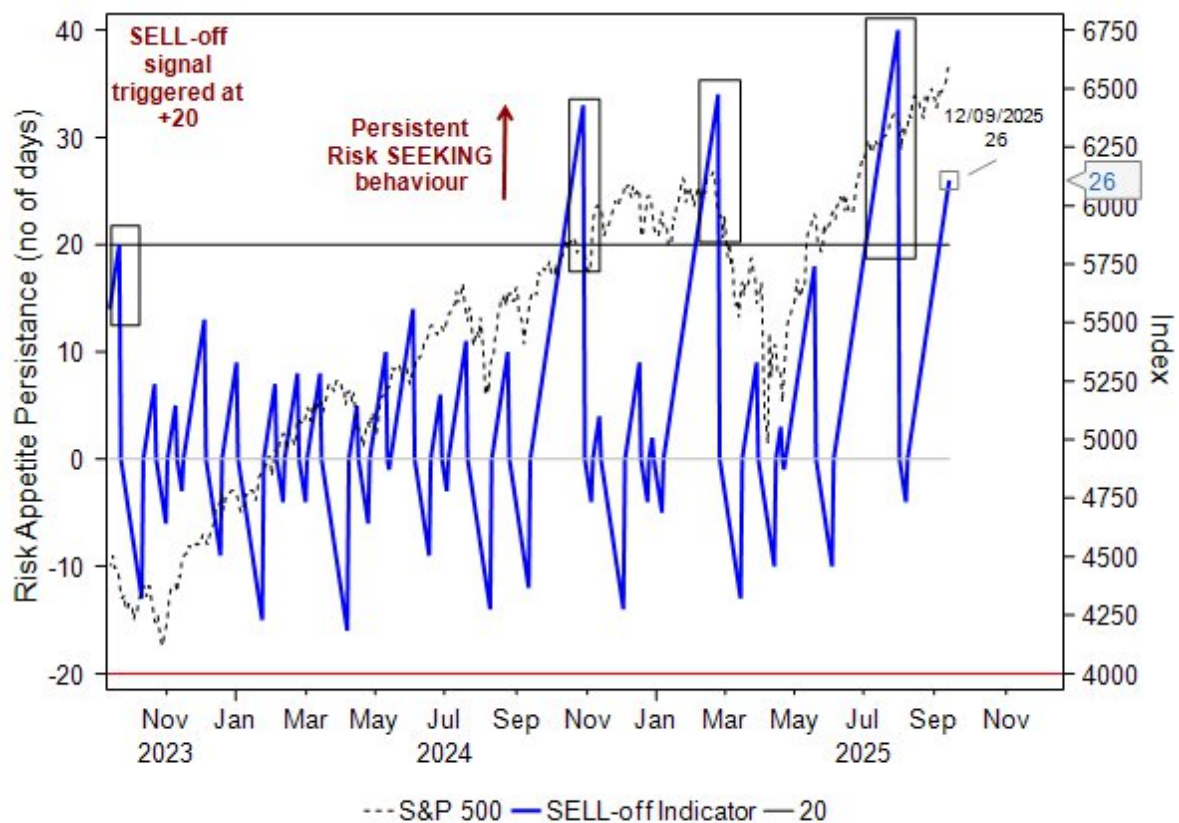
Kind regards,

The team @ Longview Economics

**FIG 1:** S&P500 futures 60-day tick chart shown with overnight price action

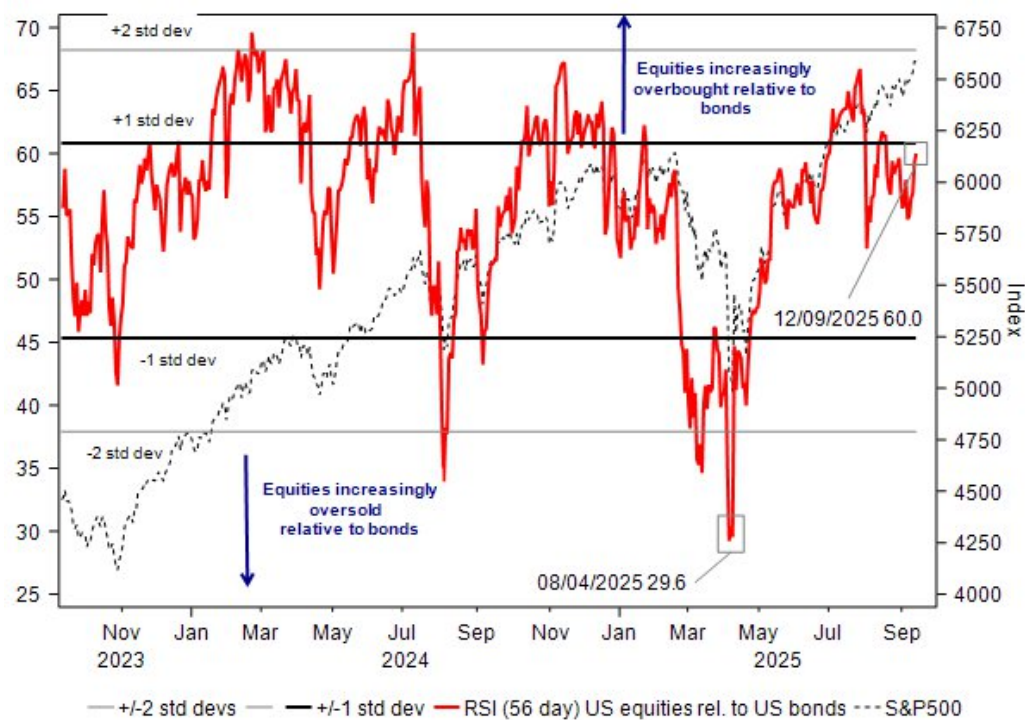


**FIG 1a:** Longview SELL-off indicator vs. S&P500



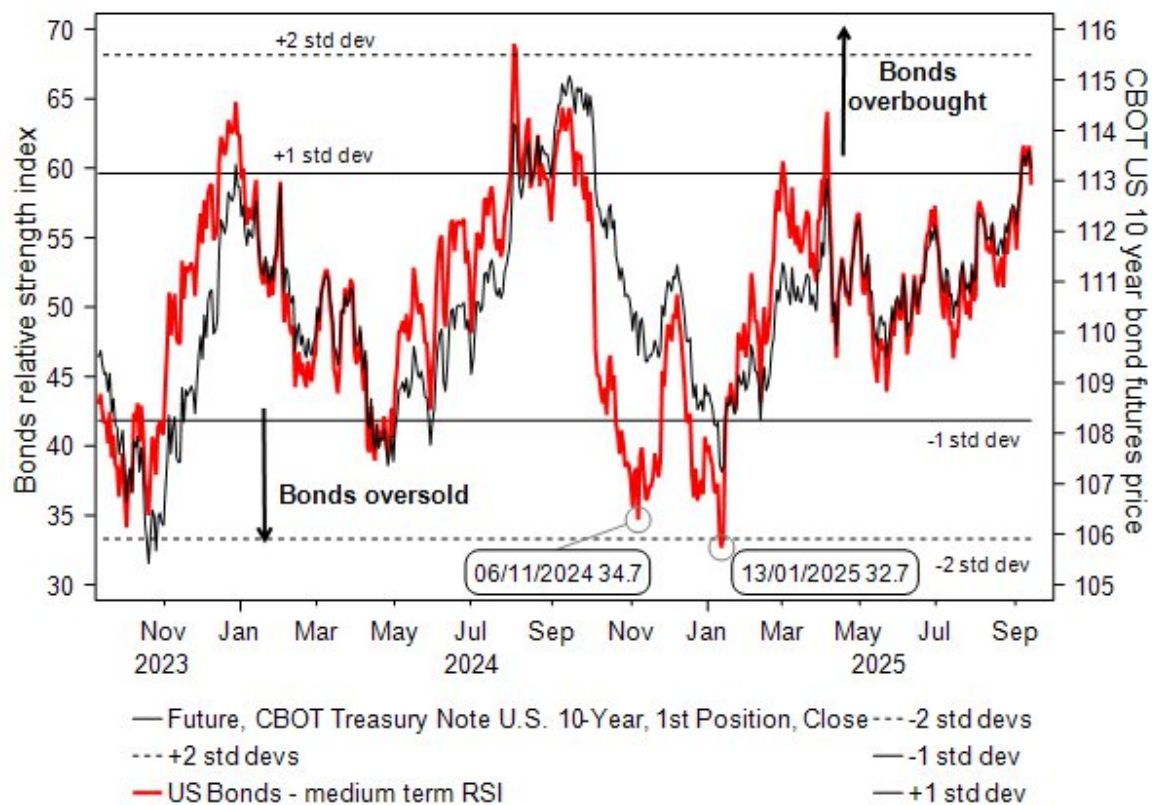
Source: Longview Economics, Macrobond

**FIG 1b:** Medium term RSI (US equities relative to bonds) shown vs. S&P500



Source: Longview Economics, Macrobond

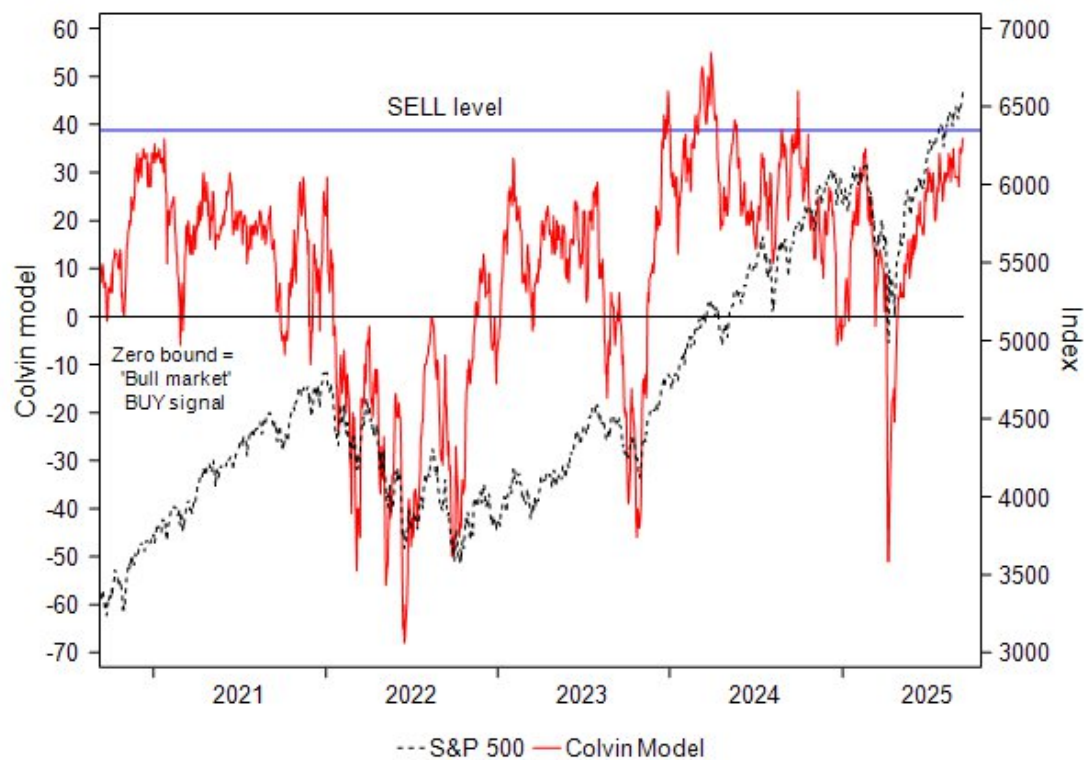
**FIG 1c:** Medium term RSI (US 10 year bond futures) shown vs. bond futures price



Source: Longview Economics, Macrobond

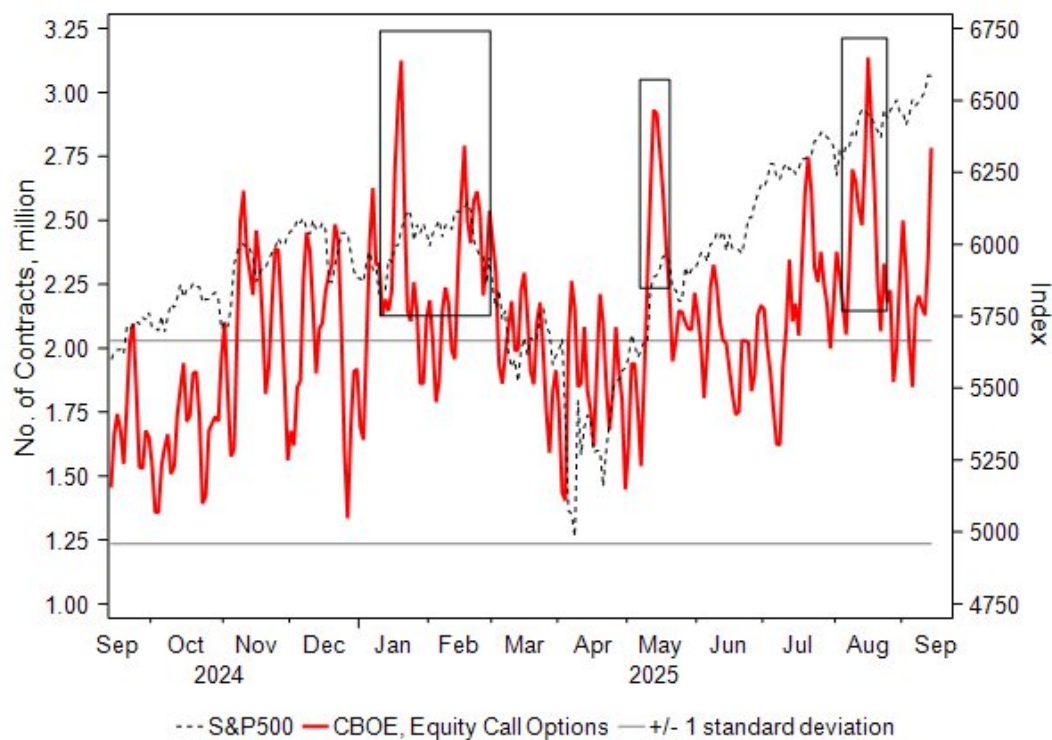


**FIG 1d:** Colvin model (global over-extendedness indicator) vs. S&P500



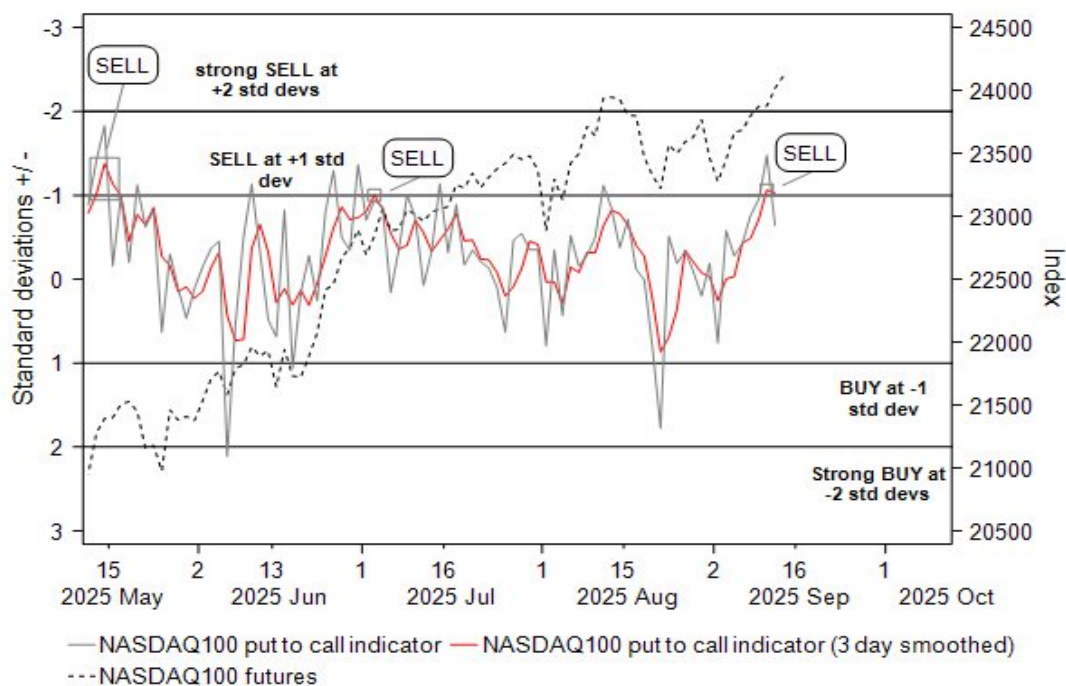
Source: Longview Economics, Macrobond

**FIG 1e:** Volume of outstanding CBOE 'single stock' call options (3 day smoothed) vs. S&P500



Source: Longview Economics, Macrobond

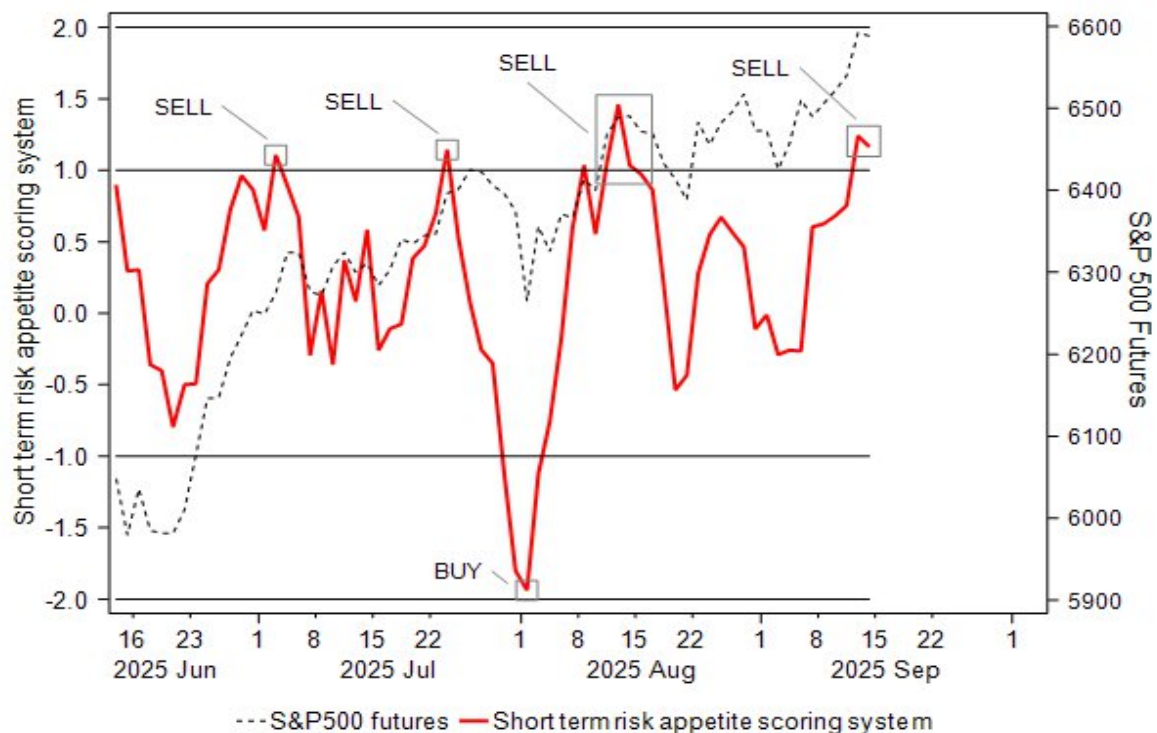
**FIG 1f: NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100**



Source: Longview Economics, Macrobond

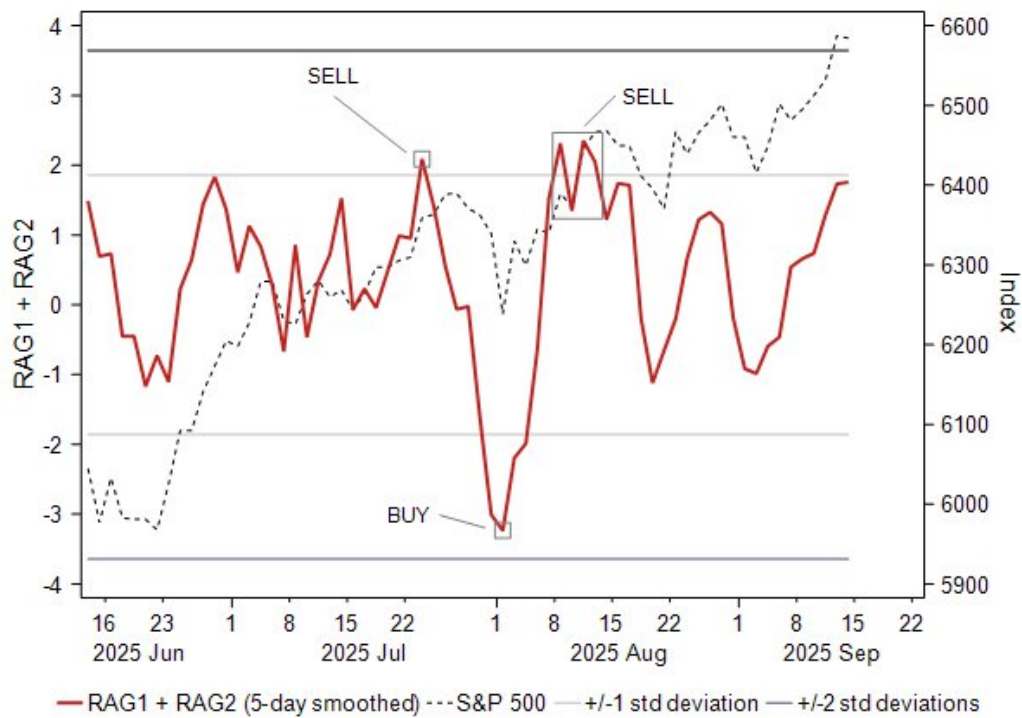
**Short term (1 – 2 week) market timing models are increasingly on SELL.....**

**FIG 2: Longview short term 'risk appetite' scoring system vs. S&P500**



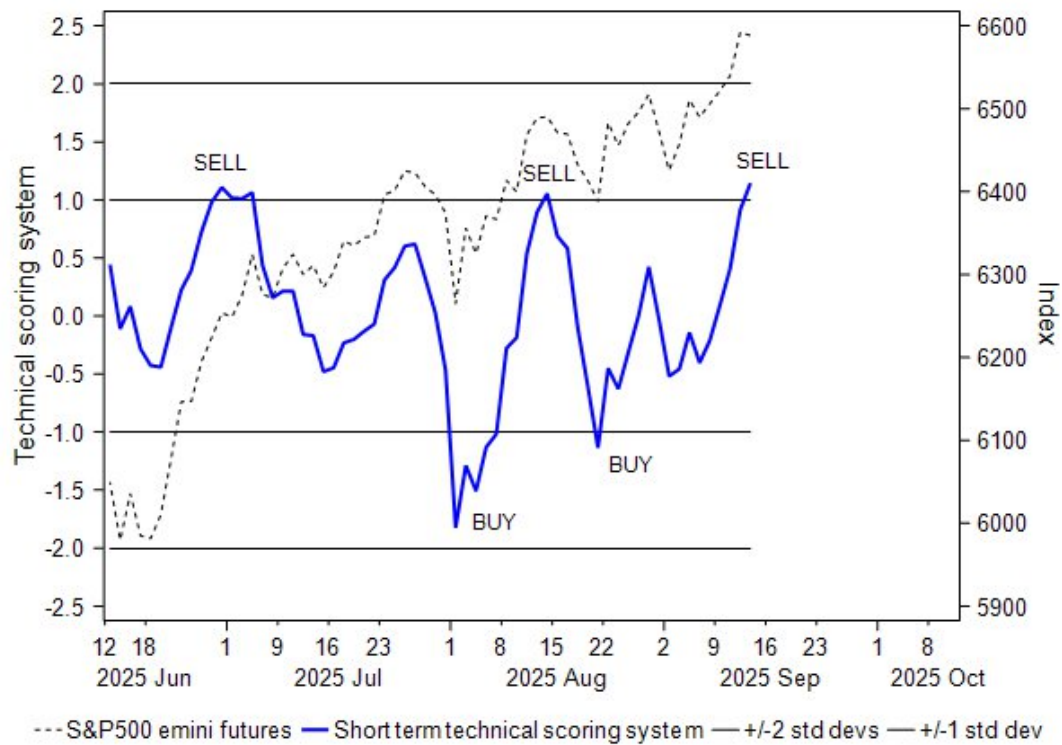
Source: Longview Economics, Macrobond

**FIG 2a:** Longview combined key **‘risk appetite’** models (RAG1 + RAG2) vs. S&P500



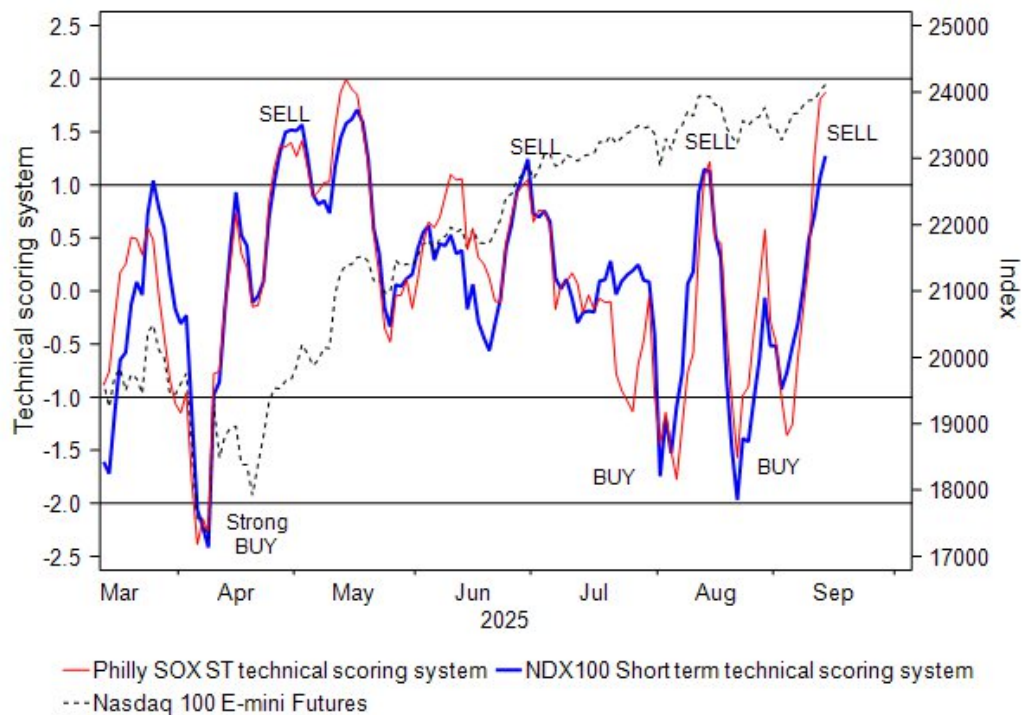
Source: Longview Economics, Macrobond

**FIG 2b:** Longview S&P500 short term **‘technical’** scoring system vs. S&P500 futures



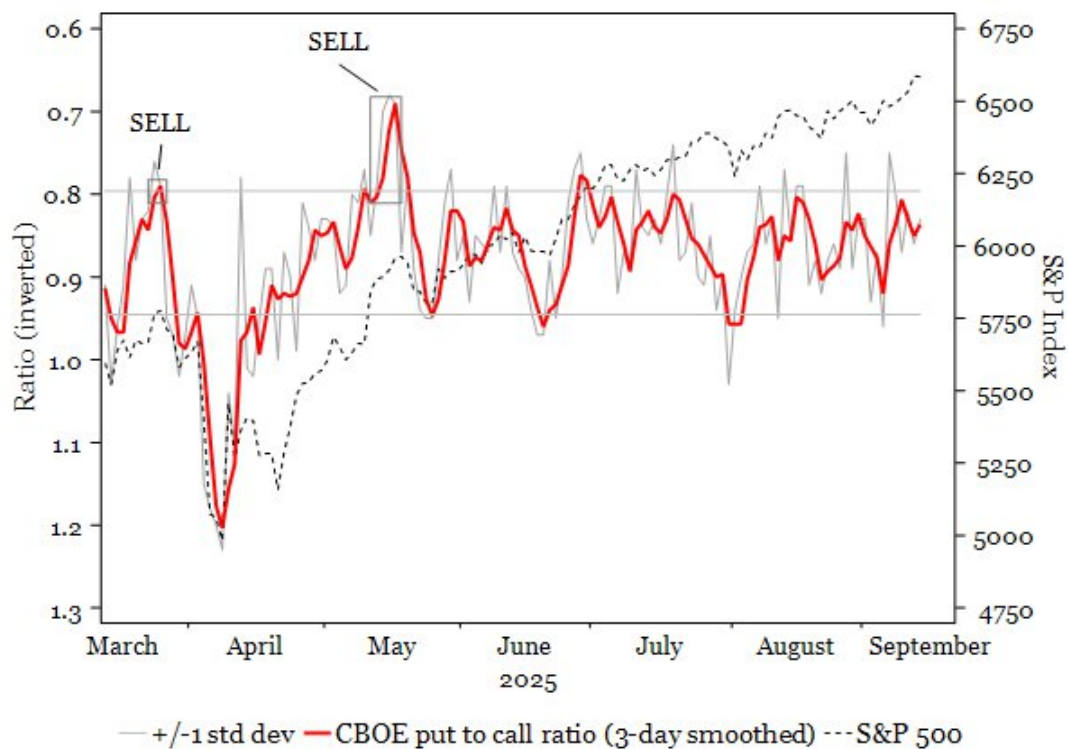
Source: Longview Economics, Macrobond

**FIG 2c:** Longview NDX100 & Philly SOX short term **‘technical’** scoring system vs. NDX100 futures



Source: Longview Economics, Macrobond

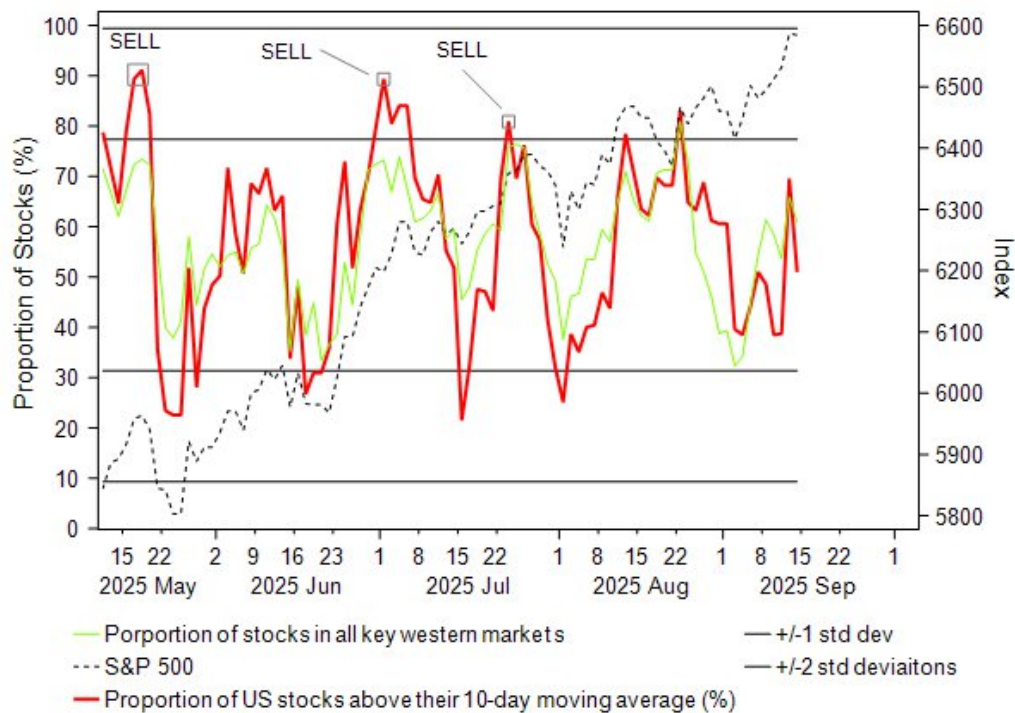
**FIG 2d:** CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



Source: Longview Economics, Macrobond

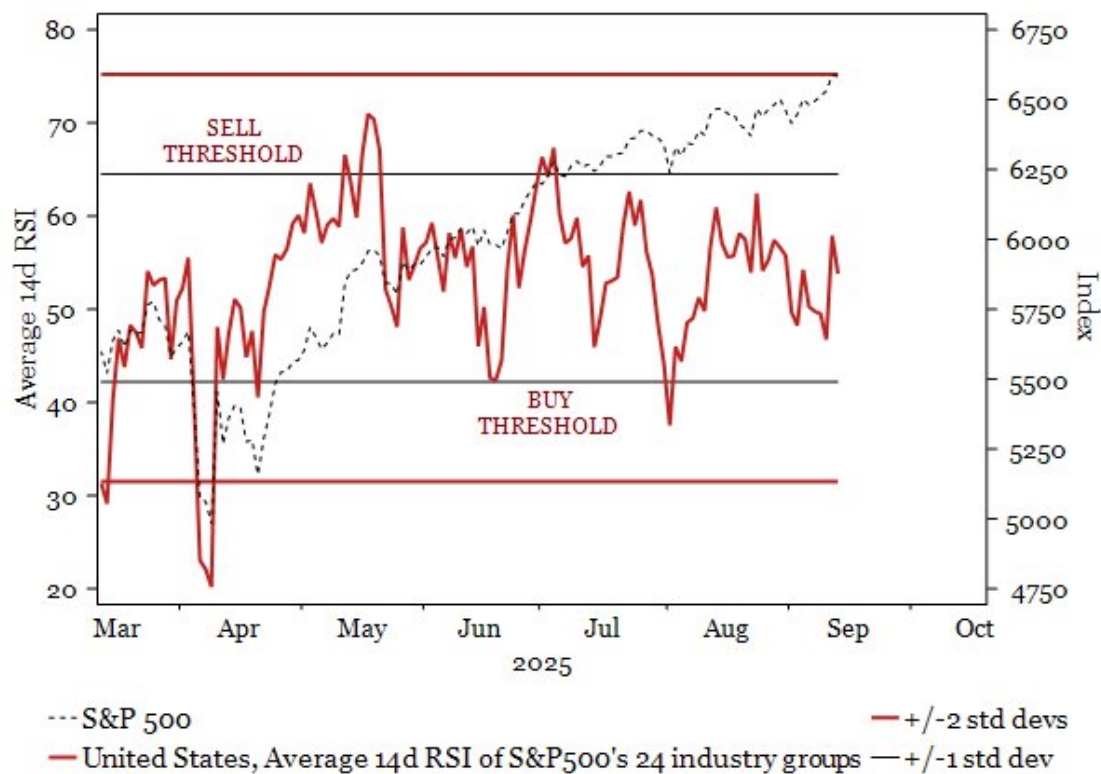


**FIG 2e:** Proportion of Western stocks above their 10 day moving average vs. S&P500



Source: Longview Economics, Macrobond

**FIG 2f:** Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500



Source: Longview Economics, Macrobond



## 1 – 2 Week View on Risk

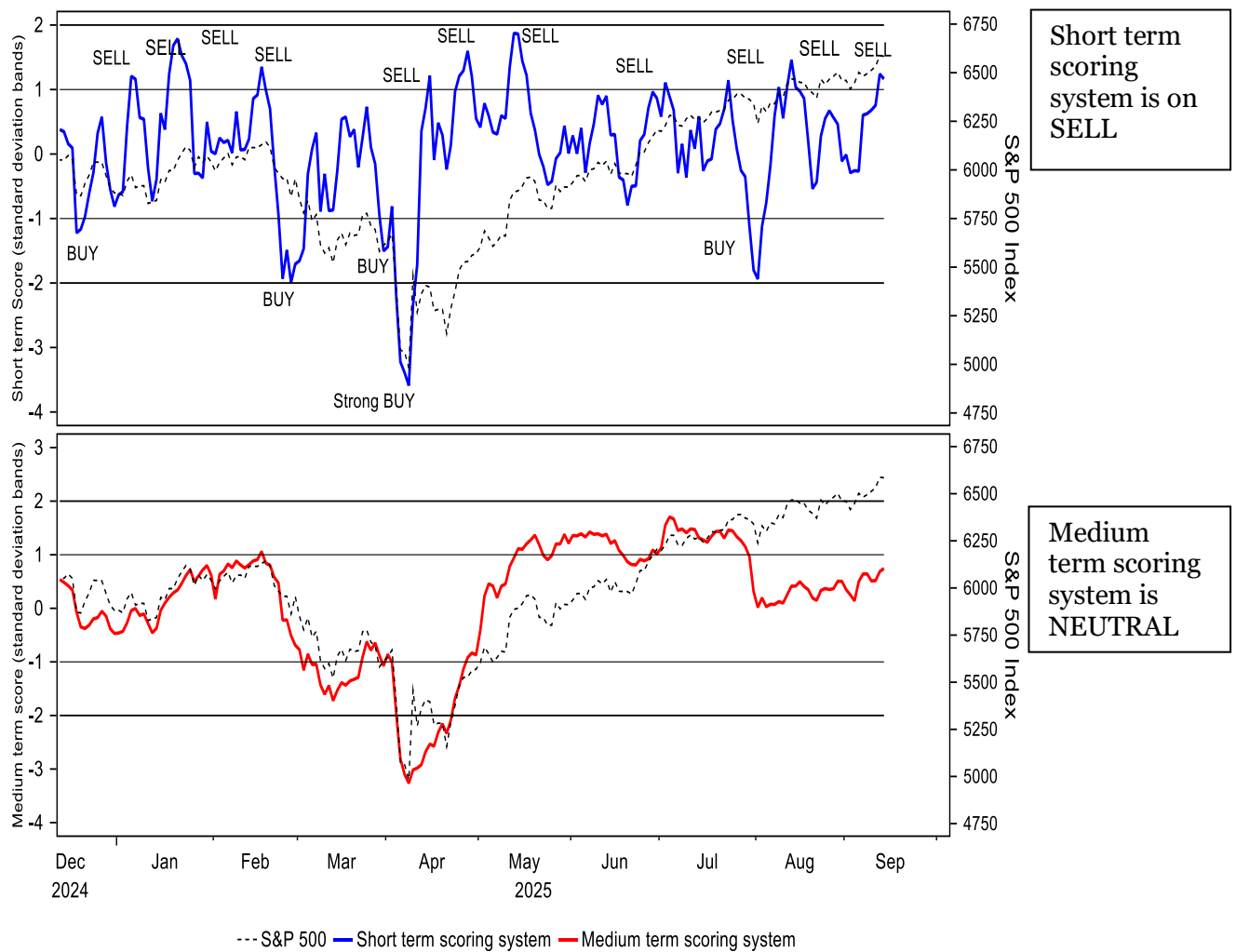
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15<sup>th</sup> September 2025

### Section 1: Longview Scoring Systems (short & medium term\*)

**Fig 1:** Longview 'short term' and 'medium term' scoring systems



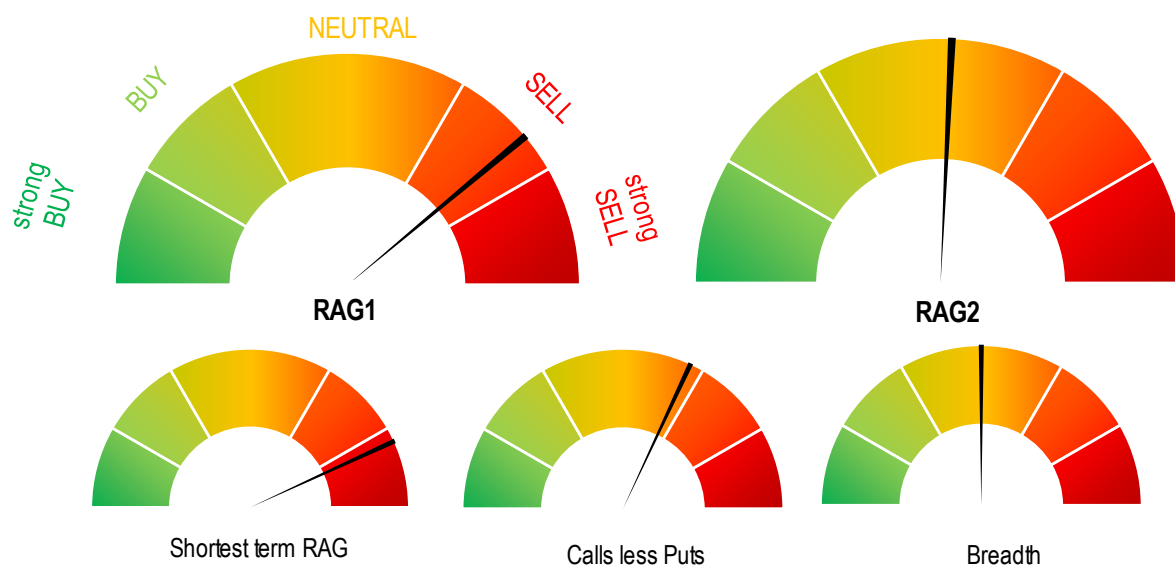
Source: Longview Economics, Macrobond

\*NB short term is 1 – 2 weeks; medium term is 1 – 4 months

**Important disclosures are included at the end of this report  
 For explanations of indicators please see page 10**

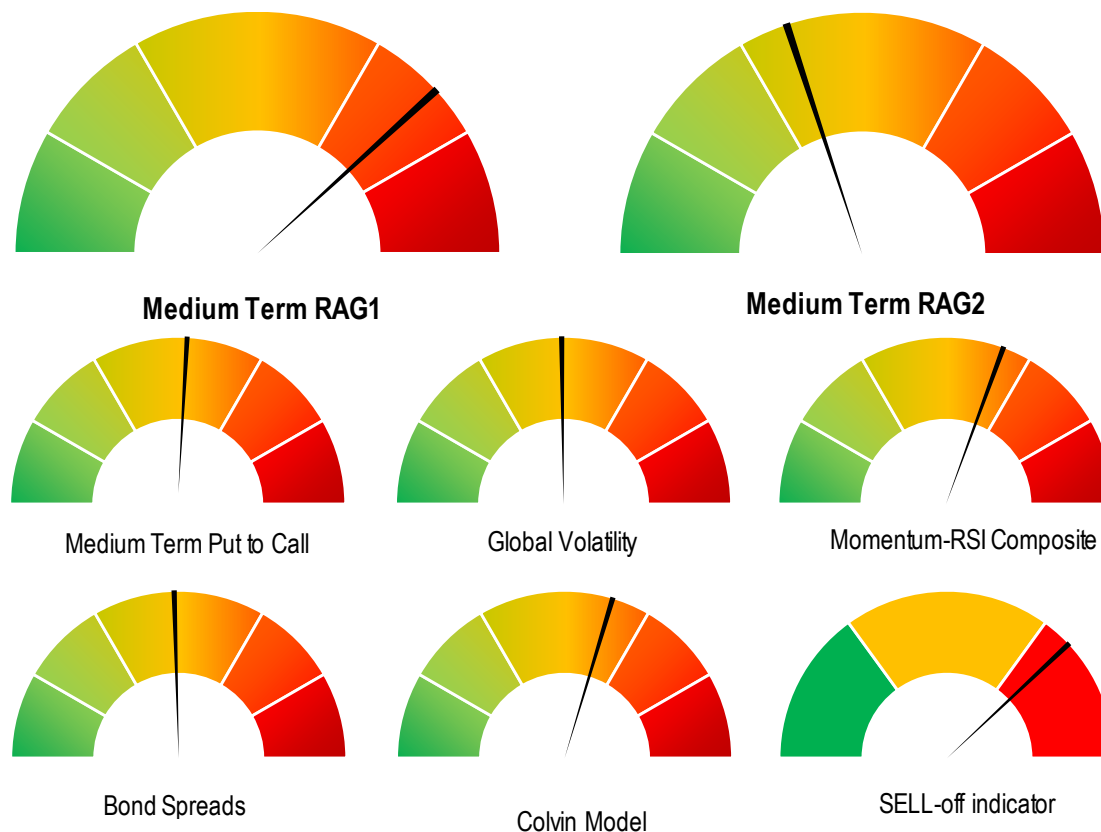
## Section 1a: Summary of indicator signals\*\*

**Fig 1a:** Short term models – shown as gauges using standard deviation bands



**Source:** Longview Economics

**Fig 1b:** Medium term models – shown as gauges using standard deviation bands

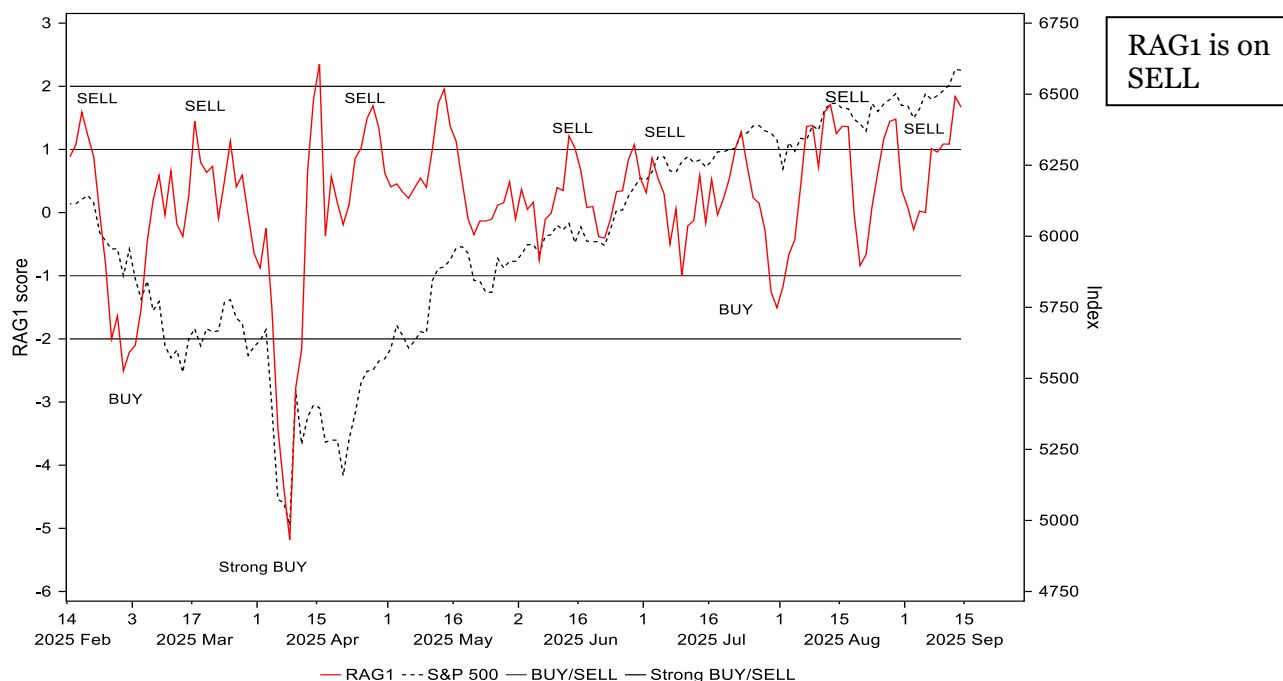


**Source:** Longview Economics

\*\*The gauges are a pictorial representation of the strength of the current BUY, SELL or NEUTRAL signal of each indicator

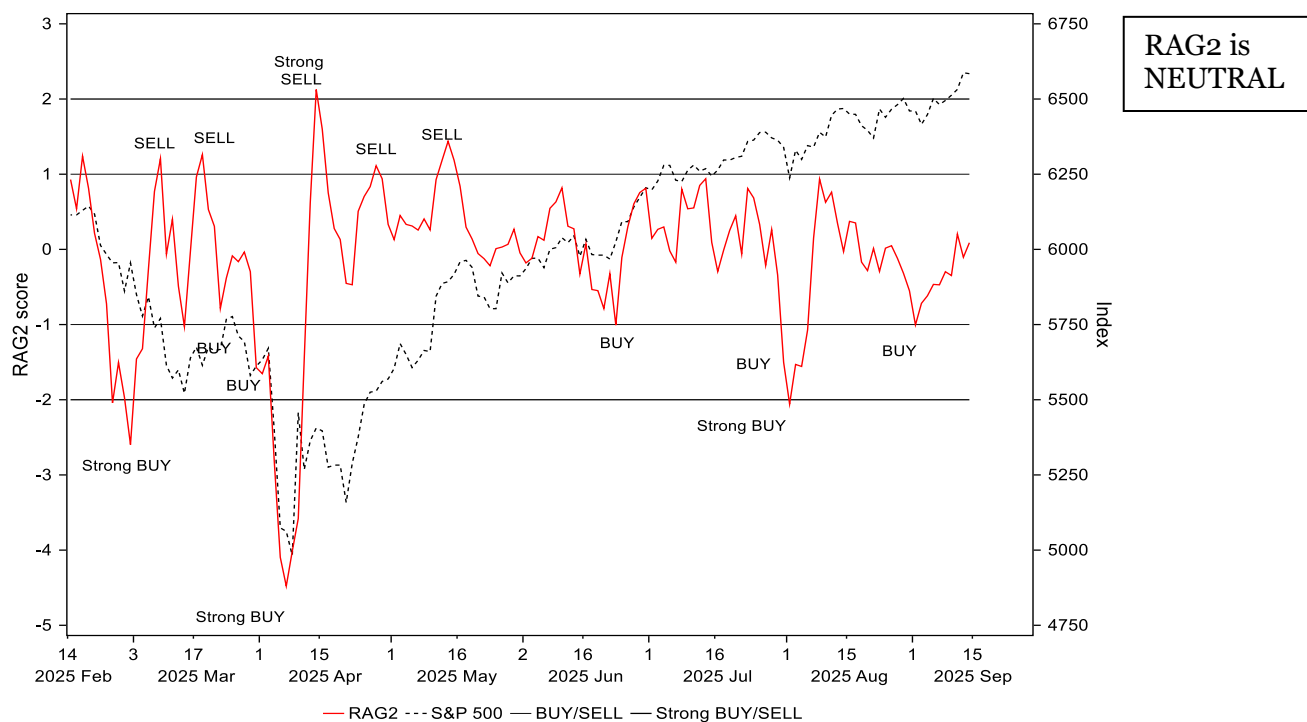
## Section 2: Short term (1 – 2 week) trading models

**Fig 2a: RAG 1 vs. S&P 500**



Source: Longview Economics, Macrobond

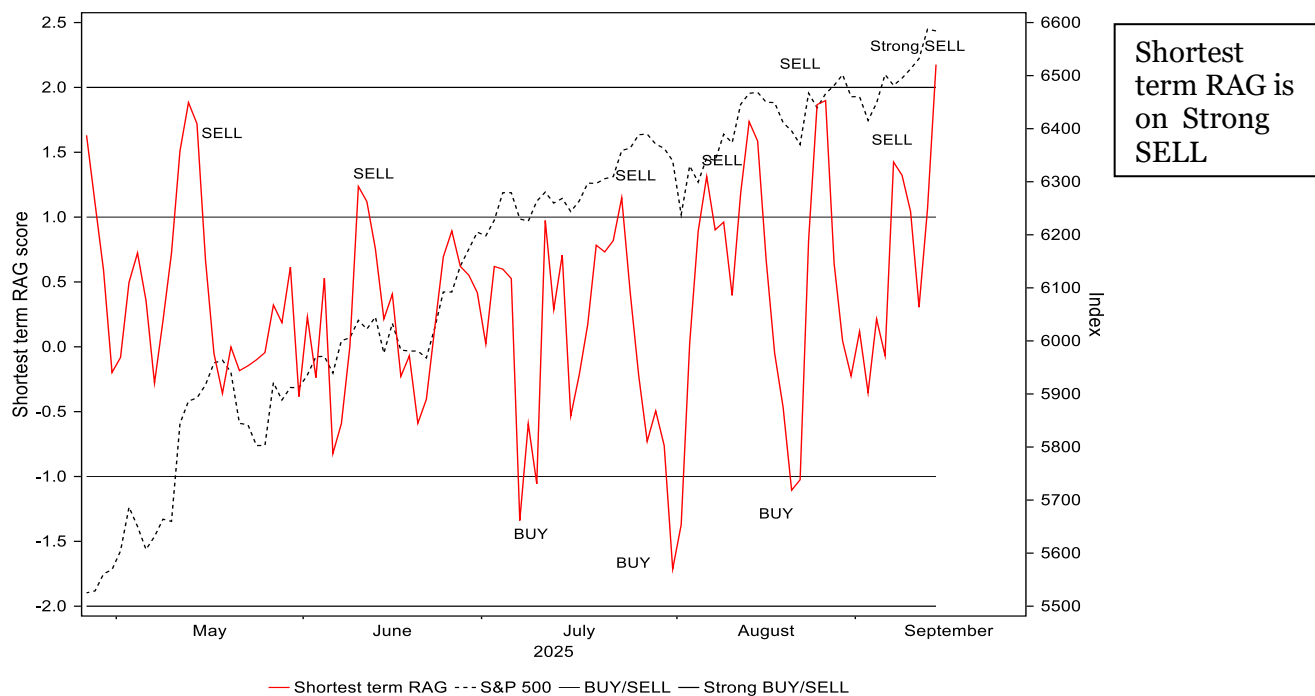
**Fig 2b: RAG 2 vs. S&P 500**



Source: Longview Economics, Macrobond

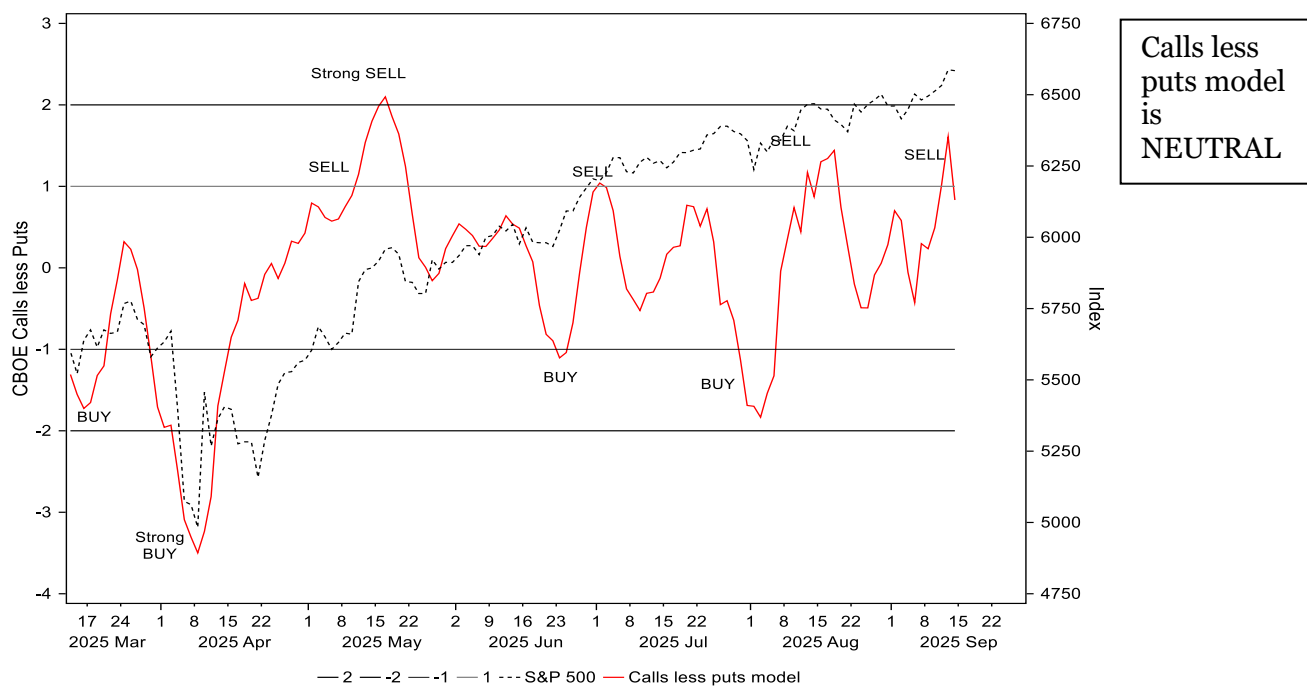
**For explanations of indicators please see page 10**

**Fig 2c:** Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Source: Longview Economics, Macrobond

**Fig 2d:** CBOE calls less puts (5 day moving average) vs. S&P500

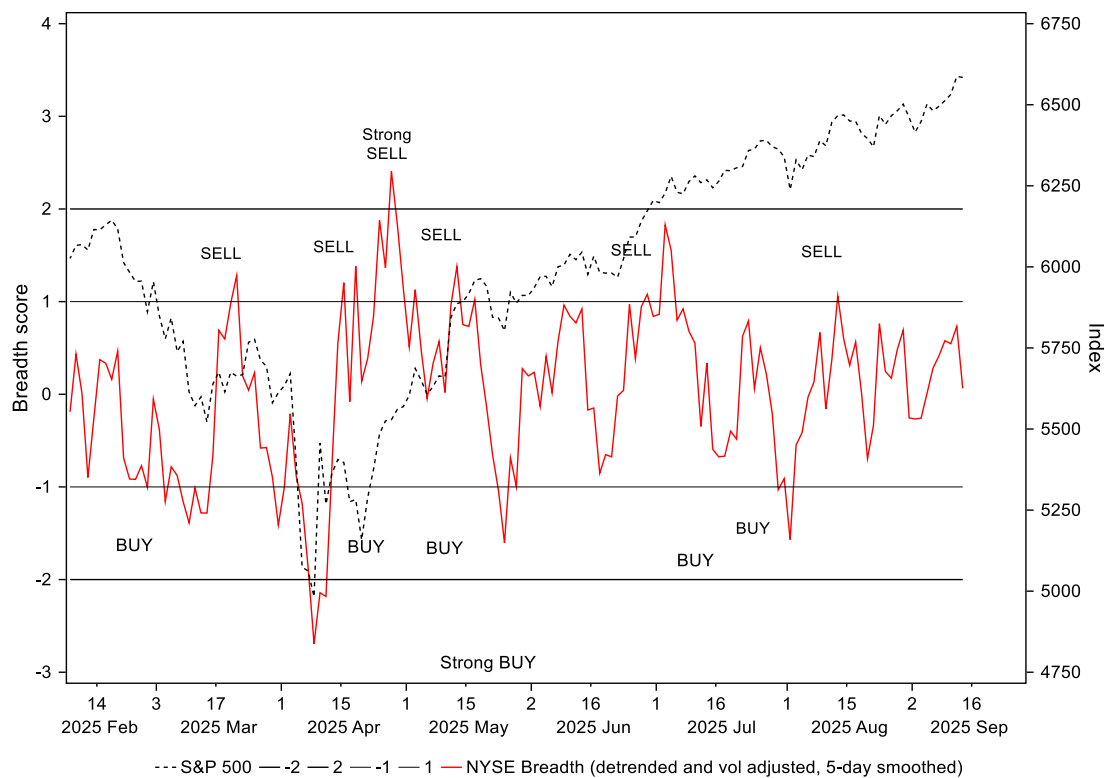


Source: Longview Economics, Macrobond

**For explanations of indicators please see page 10**



**Fig 2e: Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500**



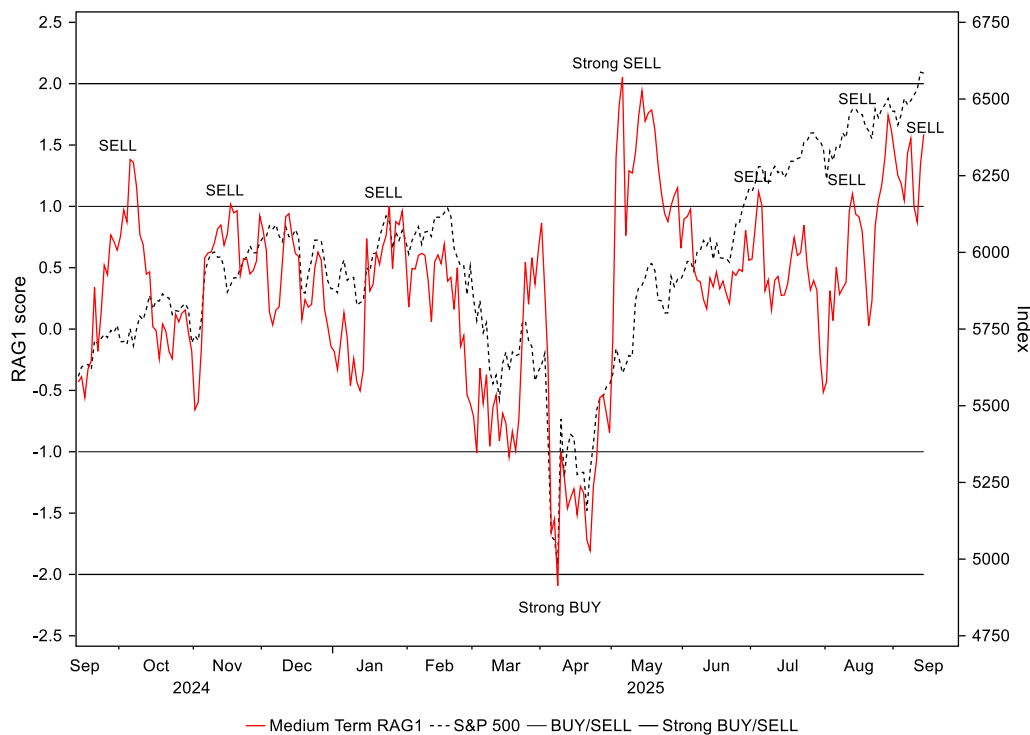
The breadth  
model is  
**NEUTRAL**

Source: Longview Economics, Macrobond

*For explanations of indicators please see page 10*

## Section 3: Medium term (1 – 4 month) outlook

**Fig 3a:** Medium term RAG1 (1 – 4 month view) vs. S&P 500



Medium  
term RAG1  
is on SELL

Source: Longview Economics, Macrobond

**Fig 3b:** Medium term RAG2 (1 – 4 month view) vs. S&P 500

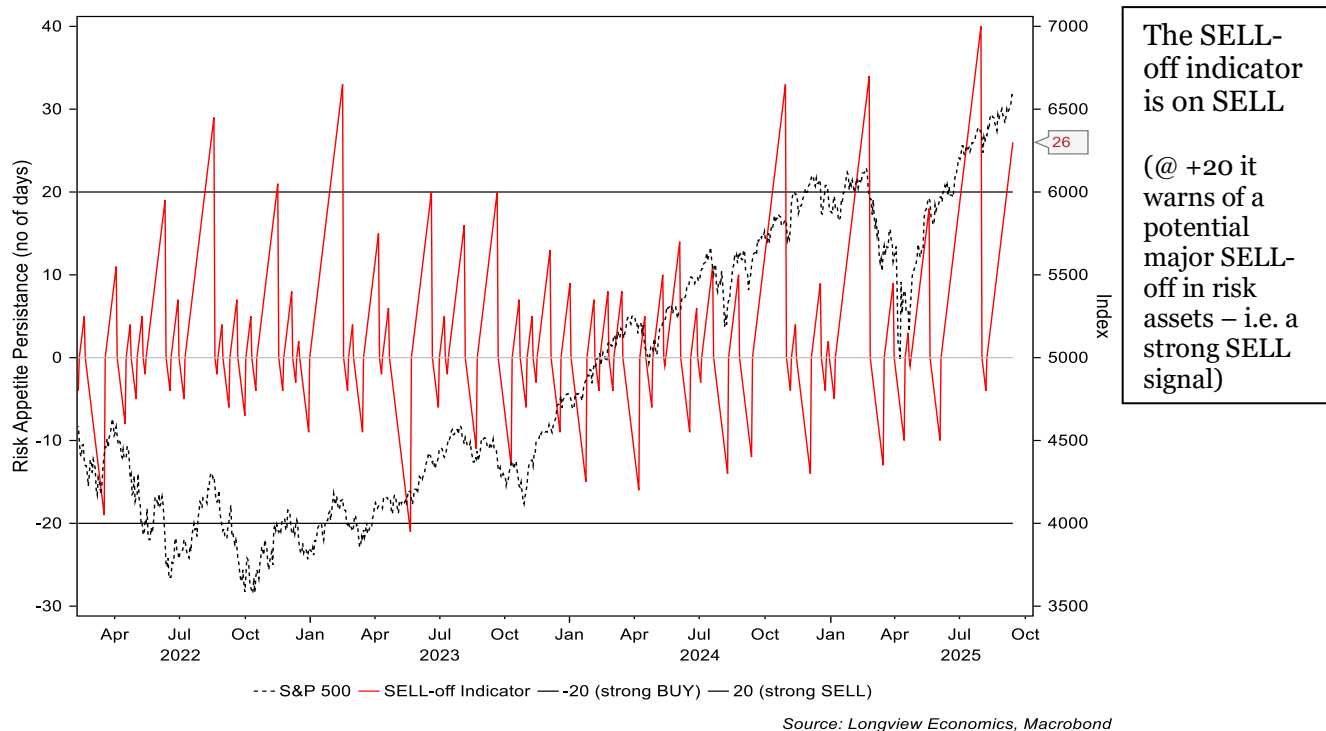


Medium  
term RAG2  
is  
NEUTRAL

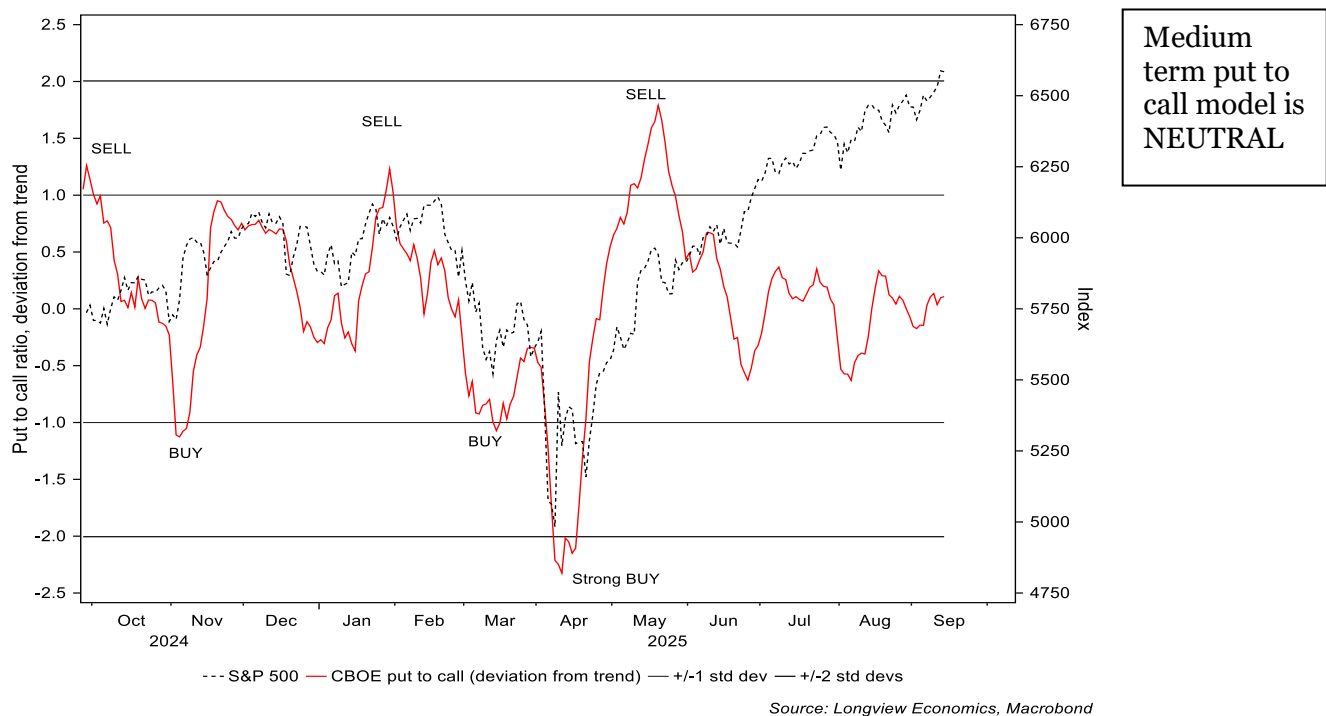
Source: Longview Economics, Macrobond

*For explanations of indicators please see page 10*

**Fig 3c: SELL-off indicator (shown vs. S&P500)**

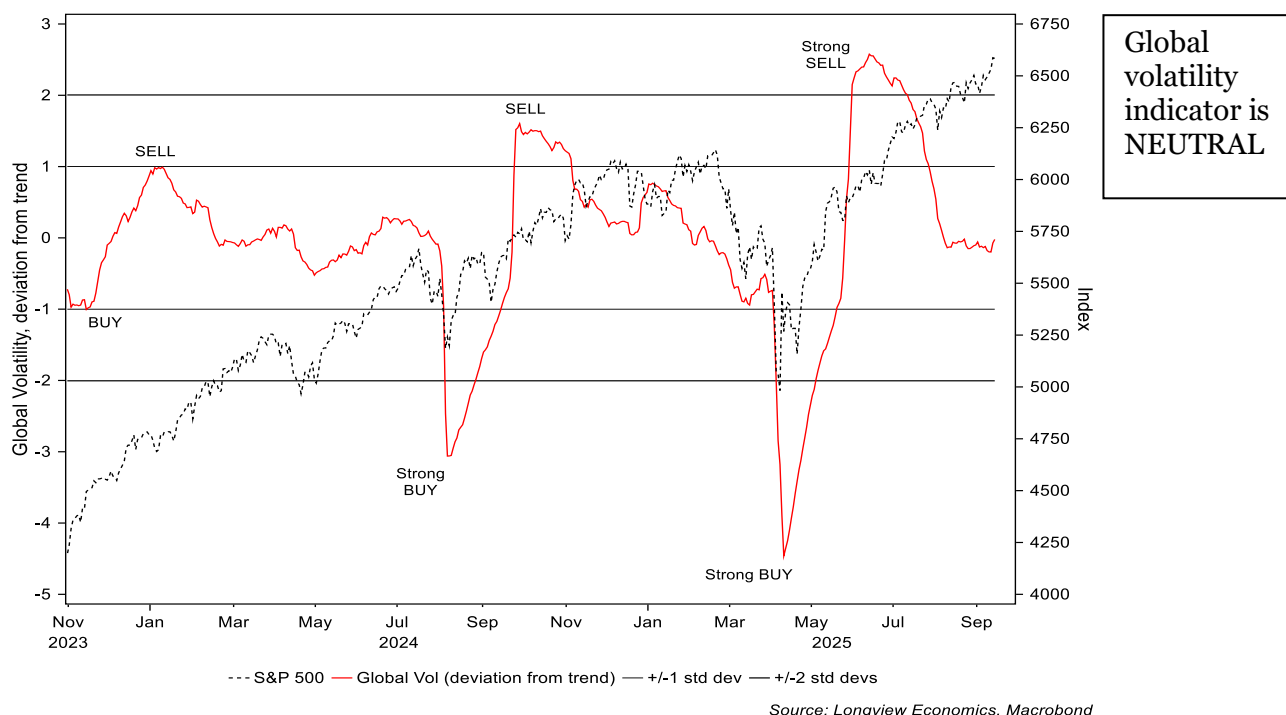


**Fig 3d: CBOE put to call trend deviation model vs. S&P500**

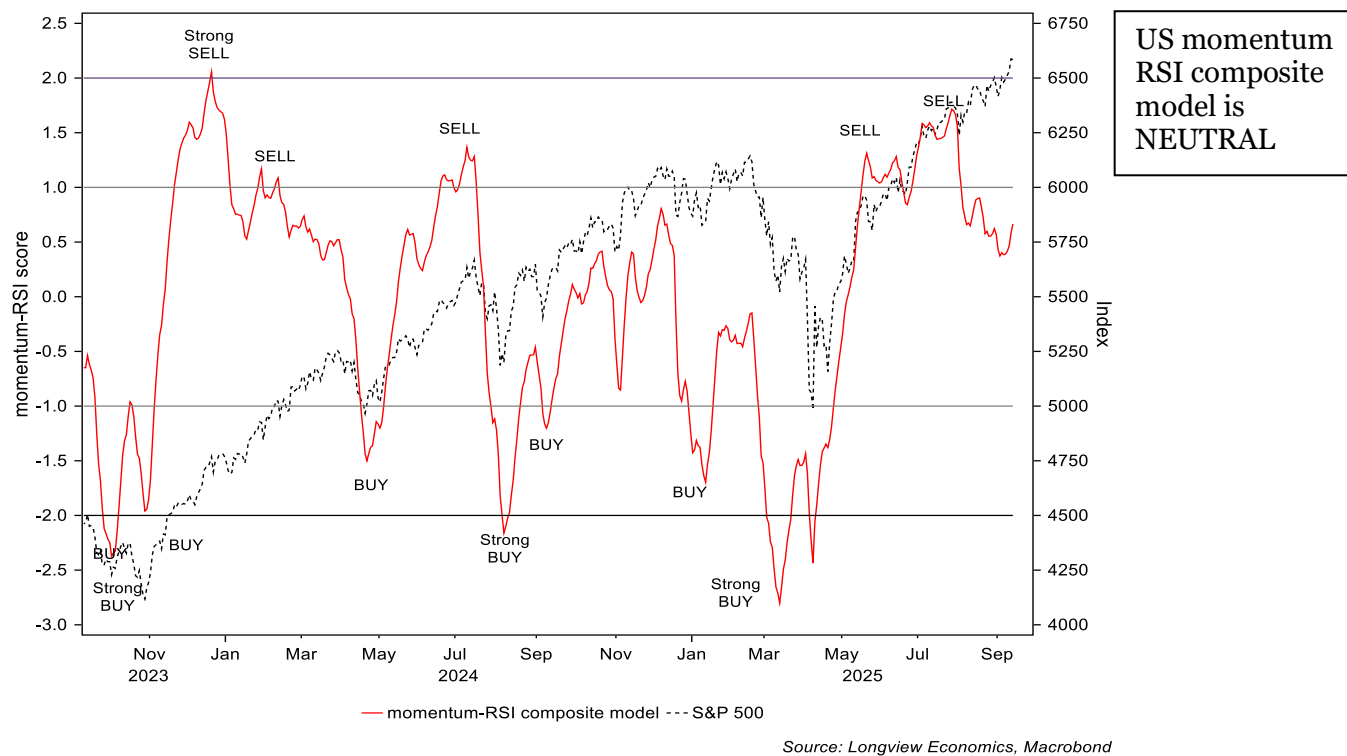


**For explanations of indicators please see page 10**

**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500

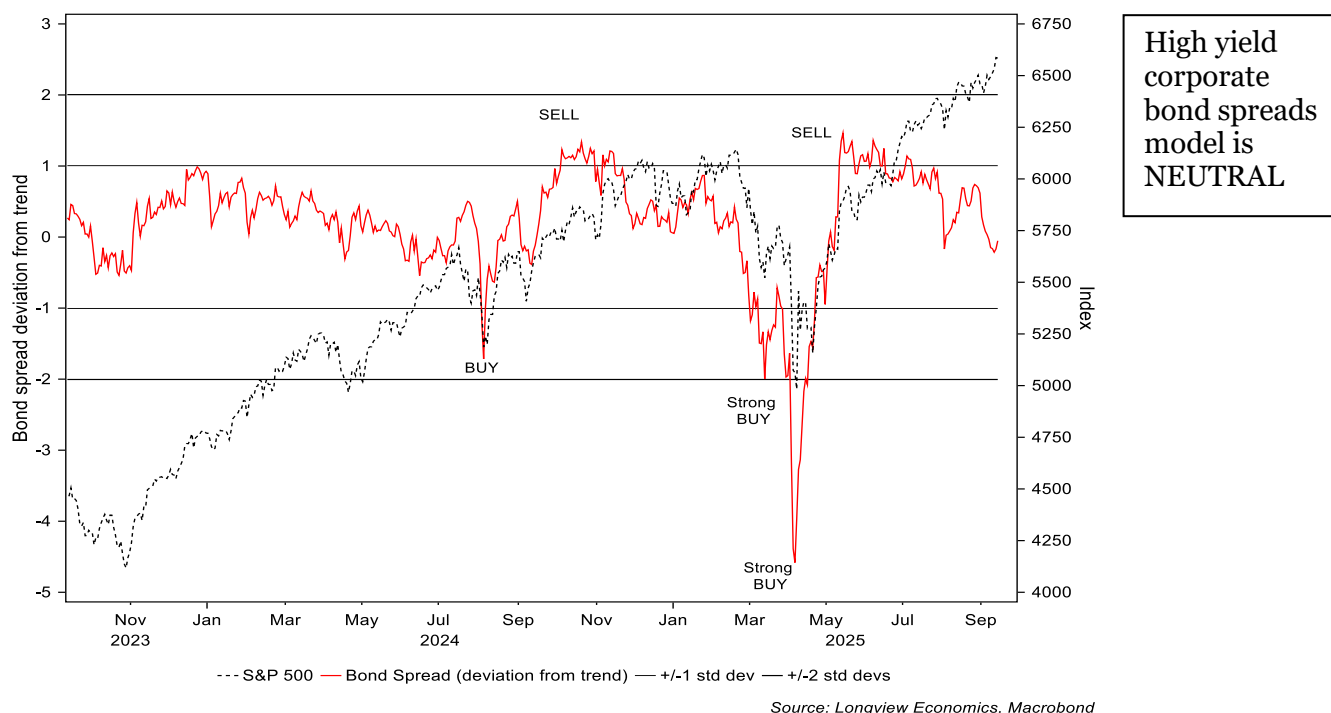


**Fig 3f:** Longview Momentum-RSI composite model vs. S&P 500

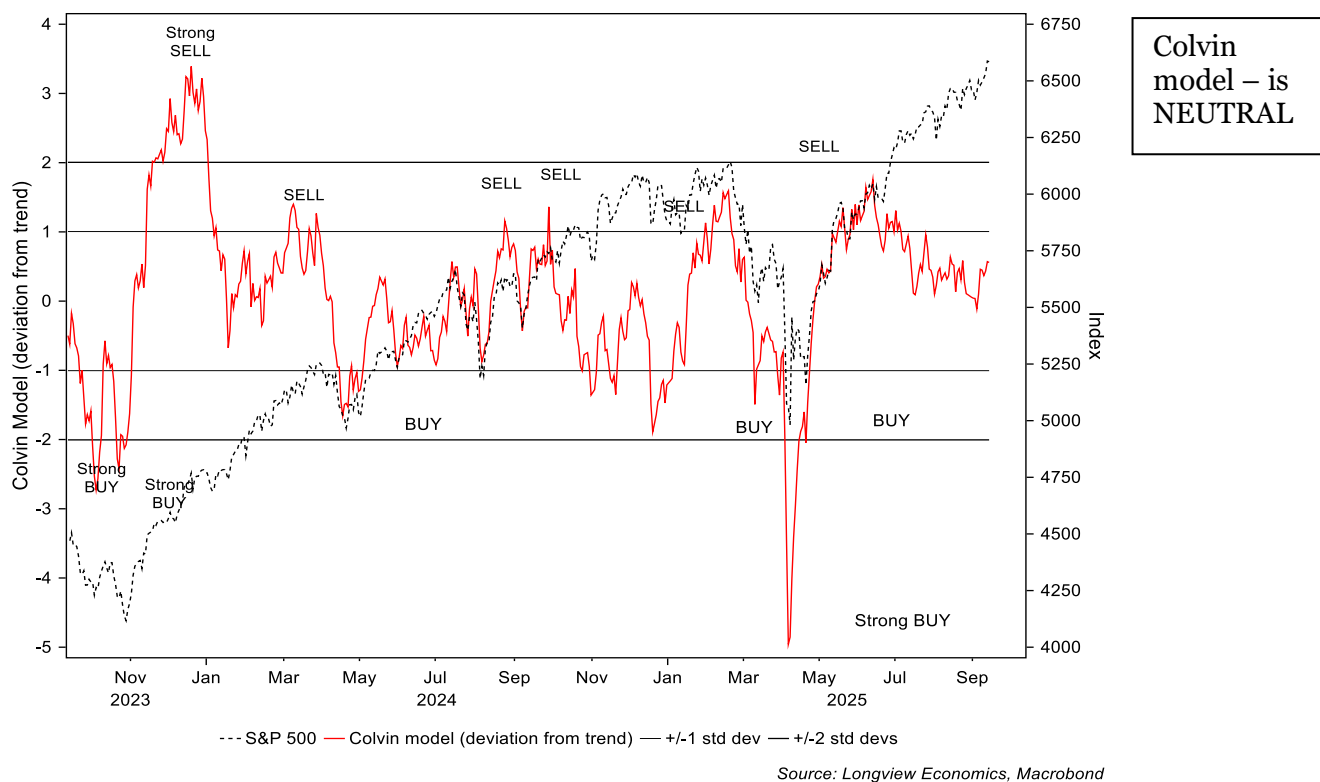




**Fig 3g:** High yield corporate bond spreads deviation from trend model vs. S&P500



**Fig 3h:** Colvin model (deviation from trend) vs. S&P500



*For explanations of indicators please see page 10*

## Appendix: Model Explanations

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### **Model 2a-b:** Short term RAG1 & RAG2 (risk appetite gauge)

RAG1&2 each draw upon the volatility and price movement of approximately 70 financial instruments each day. By plotting risk curves we derive the risk appetite of the investment community as a whole on any and every day's trading in financial markets.

### **Model 2c:** Shortest term RAG

This RAG model is a shorter term moving average risk appetite model than model 2a. By being shorter term in nature it helps to more accurately time the entry day for a specific trade.

### **Model 3a – 3b:** Medium term RAGs

This is a medium term version of the risk appetite models. This is designed to forecast the direction of equity markets on a 1 – 2 month timeframe.

### **Model 3c:** SELL-off indicator

The SELL-off indicator measures the number of days our RAG system has been on a SELL signal (i.e. as a positive number) and the number of days which it has been on a BUY signal (negative reading). When the indicator moves above +20 (i.e. risk appetite has been persistently high for a long period of time) this indicator warns of a potential sell-off in equity markets (and other risky assets). Most major SELL-offs in equity markets in recent years have been accompanied/foreshadowed by a reading of over +20.

### **Model 3d:** CBOE put to call (deviation from trend model)

This model measures movements in the put to call ratio from its medium term moving average trend line. A sharp move higher (lower) in the put to call ratio indicates heightened levels of fear (complacency) and is used as a contrarian indicator. NB Given that the absolute put to call ratio has historically undergone long term structural trends, a deviation from trend model correlates more closely with medium term trends in equities.

### **Model 3e:** Global volatility (deviation from trend model)

The (underlying) global volatility indicator measures the degree of complacency in financial prices. It achieves this by measuring short term realised volatility in over 150 financial assets from around the globe and across the asset class spectrum. A low reading indicates that only a low level of risk is priced into financial markets (and vice versa). Given, though, that volatility is an asymmetric measure of risk we use a deviation from trend version – which correlates more closely with trends in equities.

### **Model 3f:** Momentum Model

Based on the rate of acceleration (or deceleration) of the momentum of the convergence (or divergence) of a short and a long term moving average of the equity or other price index. The concept is equally applicable to any financial market and the signals are particularly pertinent at extremes.

### **Model 3g:** High yield corporate bond spreads (deviation from trend model)

This model measures movements in the spread of high yield corporate bonds over US Treasury yields from its moving average trend line. Given that the spread is an asymmetric measure of risk we use a deviation from trend version – which correlates more closely with trends in equities.

### **Model 3h:** Colvin model

The Colvin model measures global market breadth i.e. the strength of the advance (or decline) in global risk asset prices. Extreme deviations from trend reflect rapid advances/declines in asset prices thereby leading to and generating overbought/oversold signals.

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